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BEFORE THE
POSTAL REGULATORY COMMISSION

RETAIL ACCESS OPTIMIZATION INITIATIVE Docket No. N2011-1

DIRECT TESTIMONY OF JOHN P KLINGENBERG ON BEHALF OF THE PUBLIC REPRESENTATIVE PR-T-2

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I. Autobiographical Sketch

My name is John P. (JP) Klingenberg. I submit this testimony on behalf of the Public Representative. I have worked as an Economist for the Postal Regulatory Commission since 2009. I have a degree in Economics from the Virginia Polytechnic Institute and State University.

II. Purpose and Scope of Testimony

The purpose of my testimony is to provide analysis of the Postal Service's retail network and the Docket No. 2011-1 Retail Access Optimization Initiative (RAOI). The RAOI proposal has four components: 2825 "Low Workload" offices with less than 2 hours of "earned" workload calculated using the Postal Service's Small Office Variance tool (SOV) and less than $27,500 in "Walk in Revenue"[1]; 384 Stations and Branches with less than $600,000 in FY2010 revenue located within two miles of at least five alternative sites; 178 Stations and Branches with less than $1,000,000 in FY2010 revenue located within a half mile of at least five alternate sites; and 265 Post Offices currently under closure procedures. Due to data limitations, this testimony generally focuses on the facet of the proposal for which the most data is available, the "Low workload" proposal." Based on the selection criteria used by the Postal Service and the analysis provided in this testimony, it appears the "low workload" Post Offices currently operate at deficit and provide service to rural Americans.

This testimony begins by describing the information provided to date by the Postal Service in this docket. It then provides a quantitative analysis of the Postal Service's retail network and germane proposal. Using data provided by witness PR-T-1, an analysis of the Postal Service's retail network that links census block population to the closest post office is provided, calculating the straight line distance for that population to a post office. Finally, a discussion of alternative tactics that the Postal Service could employ to optimize retail access is provided. This testimony is supported by two Library References, PR-LR-3 and PR-LR-NP1

[1] Walk in Revenue is generally stamp purchases, and excludes revenue for the permit system used by bulk mailers. The revenue selection criteria is $10,000 of walk in revenue for Alaskan Post Offices.

For Post Office financial and operational information, the library references supporting this testimony rely on the Postal Service documents. For demographic information, this testimony relies on census data provided by ESRI, which can be downloaded at http://www.esri.com/data/esri_data/census-overview.html. To link census data to postal office locations, this testimony relies on LR-PR-2, sponsored by Public Representative Witness PR-T-1.

Unfortunately, the Postal Service, as stated by witness USPS-T-1[2], did not review cost, demographic, or operational information before bringing the RAOI proposal to the Commission. Because the Postal Service has not used this information in its Direct Testimony, the information available in this docket does not contain comprehensive details for every Post Office under review as part of the RAOI process. The Appendix to this testimony details what information is currently available.

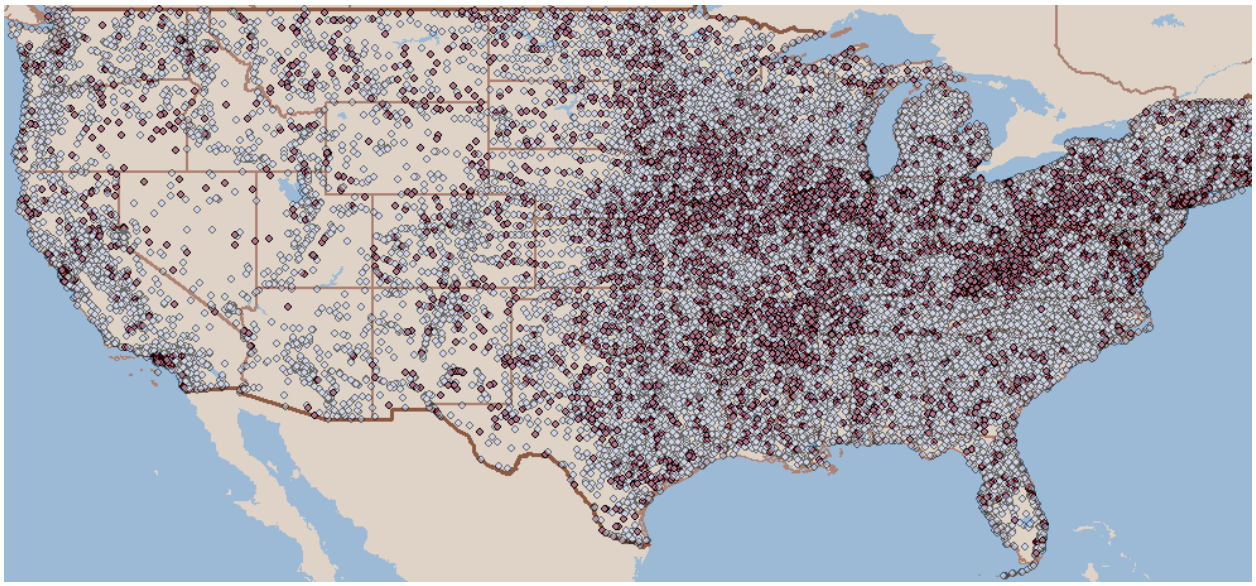
III. What is the Cost of Operating the Postal Retail Network?

In order to determine if the RAOI will have a substantially nationwide affect and how "optimal" the RAOI is, the Postal Service proposal should be put into the context of the Postal Service's retail network. This context has three components: the number and physical location of Post Offices, the revenue generated by each post office, and the cost of offering retail service at each post office.

The Postal Service lists the number of Post Offices in operation in FY 2010 as 32,528 in its Annual Report.[3] Using the latitude and longitude data provided by the Postal Service in USPS-LR-NP10, the physical location of 31,320 Post Offices are mapped below.[4] In this graphic, which displays only the Post Offices located in the contiguous United States, the offices that will remain open are displayed in light blue. The offices that are listed in USPS-LR-2 are displayed in red. This graphic shows that there are Post Offices subject to the RAOI discontinuation process in each of the 48 states displayed.

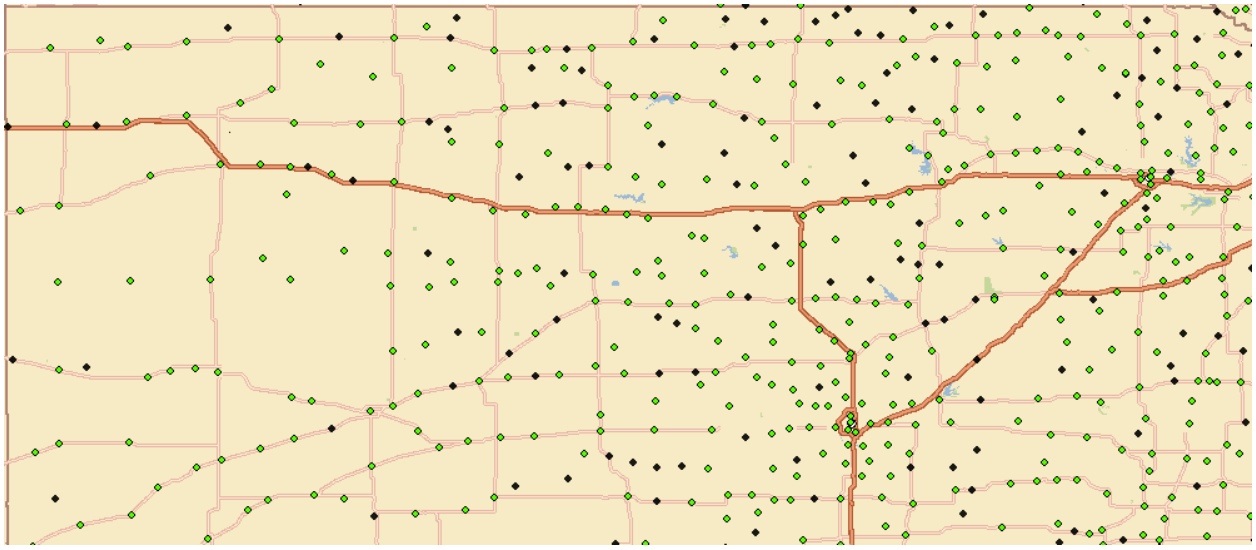
[2] Docket No. N2011-1 Transcript #1 at 496.
[3] USPS Annual Report at 37.
[4] Much of the data provided by the Postal Service regarding Post Office location and operations was derived from the Facilities DataBase (FDB). The GAO report "GAO-08-41," regarding the FDB "found numerous data reliability problems."

Graphic 1: Contiguous United States Post Offices



Graphic 2 displays the same information as Graphic 1, but is zoomed to display Kansas. The testimony of PR-T-1 contains a detail GIS analysis of Kansas Post Offices. In this graphic, Post Offices listed in USPS-LR-2 are displayed in black, and offices that will remain open are displayed in vibrant green.

Graphic 2: Kansas Post Offices



The Postal Service has provided operating cost and revenue data for 30,466 Post Offices in the library reference USPS-LR-NP3. The total revenue for these post

offices was $65.7 billion in FY2010, roughly 98% of the Postal Service's total revenue in FY 2010. The total operating costs for these 30,466 post offices was over $34 billion in FY 2010, or roughly 50% of the Postal Service's total operating costs.[5] The retail network is composed of the Post Offices, the Post Office Boxes located in Post Offices, and the Postal Service employees that provide retail counter service at those Post Offices. $34 billion is significantly more than the FY 2010 Postal Service expenditure on Post Office rents and retail service employee salaries. The Postal Service was unable to provide information on operating costs that isolates window service costs from mail processing and delivery costs.

Since the cost of operating the retail portion of the postal network has not been provided in this case, other sources must be consulted to estimate the Postal Service's expenditure on this facet of its operations. The FY 2010 Cost Segments and Components report provides cost information for Postmasters, Window Service and Building Occupancy. Table 1 contains the FY2010 costs for selected cost segments and components related to the retail network. Using this approach, the FY2010 total cost for operating the postal retail network was $5.8 billion.

Table 1: Estimate of the Cost of Operating the Retail Network

	Cost Component		FY 2010 Total Cost (Thousands)
Postmasters EAS 23 & Below	1.1	$	2,180,999
Postmasters EAS 24 & Above	1.2	$	58,605
Window Service	2.2	$	215,833
Window Services	3.2	$	2,415,573
Clerks CAG K Offices	4.1	$	3,317
Rents	15.1	$	959,926
Total Cost of the Retail Network		$	5,834,253

By allocating **all** Postmaster and Rent costs to the retail network, this estimate may overstate the cost of operating the retail network.

Another estimate of the cost of operating the retail network can be found in "The cost of Universal Service in the U.S., and its impact on competition." This paper

[5] The Postal Service total operating cost was $75.6 billion in FY 2010.

estimated that the cost of the "counter" function was 6% of the Postal Service's FY1999 total costs.[6] Updated for FY2010 total operating cost, this estimates the cost of the retail network at $4.5 billion.

IV. Economic Analysis of the RAOI Proposal

a. Data Availability Limits Analysis of the RAOI Proposal

As explained in the Appendix, unique post office information verifiable across the variety of library references provided by the Postal Service is available for only 2909 of the 3652 postal retail locations identified in USPS-LR-2. Of the 2909 offices for which cost data was provided, 2642 are "low workload" post offices. Thus, cost information is not available for 179 of the 2825 "Low Workload" Post Offices and 571 of the 827 post offices identified using the other three facets of the RAOI process. As such, a meaningful cost analysis cannot be developed for the station and branches or those facilities "currently undergoing closure procedure" facets of the RAOI proposal.[7]

b. The Operating Cost of the 2646 "Low-Workload" RAOI Offices for Which Data is Available was Under $210 Million in FY 2010

The Postal Service provided operating costs for Post Offices in USPS-LR-NP3. The operating costs contained in this library reference include all space and employee related costs for all postal functions, not only costs incurred exclusively by offering retail service. As such, the "Operating Cost" as provided by the Postal Service in USPS-LR-NP3 overstates the cost of operating a retail facility for any facility co-located with delivery functions, administrative functions, mail processing functions, and even Bulk Mail Entry Unit (BMEU) functions. However, a low-revenue post office is less likely to be co-located with any postal functions other than retail service (including Post Office box functions). As such, the cost data provided by the Postal Service can be used to develop an informative upper bound on the current cost of operating a retail locations

[6] "The cost of universal service in the U.S. and its impact on competition" Cohen, Robinson, Waller, and Xenakis. 2002. at 3.

[7] The FY 2010 operating cost for the 256 stations and branches for which unique data can be identified was $127,372,998. The FY2010 operating revenue was $100,695,739.

(and potential savings due to closing). Table 2 contains analysis of 2646 RAOI Post Offices for which data is available.

Table 2
Financial Analysis of the "Low-Workload' Post Offices

	Unprofitable	Profitable	Total
Cost Data Available	2611	35	2646
Walk in Revenue	$ 41,900,298	$ 495,900	$ 42,396,198
Operating Revenue	$ 48,792,873	$ 1,922,702	$ 50,715,575
Operating Cost	$ 207,995,584	$ 1,109,679	$ 209,105,263
Operating Loss	$ (159,202,711)	$ 813,023	$ (158,389,688)
Average Revenue	$ 18,687	$ 54,934	$ 19,167
Average Cost	$ 79,661	$ 31,705	$ 79,027
Lease Amount	$ 11,527,804	$ 112,683	$ 11,640,487
Average Lease Amount	$ 4,415.09	$ 3,219.51	$ 4,399.28
Average Distance to Nearest Office	9.9	7.5	9.9

The 2646 “Low Workload” offices were unprofitable, with a total operating deficit of over $158 million and an average operating deficit per office of over $59 thousand. The total FY2010 “operating cost” for these 2646 offices was just under $210 million. Of the $210 million, $11.6 million was spent on building leases. The 35 profitable offices provide an opportunity for data quality review. According to the numbers provided by the Postal Service, of the 35 profitable offices, 5 offices had a negative operating cost in FY2010. Fifteen additional offices cost less than $20,000 to operate, even with a retail window open, on average 8 hours per day. One “profitable” office had a lease amount of $3,480 and an operating cost of $2,933. Most importantly, the average operating revenue for these 35 offices was $54,934, nearly double the $27,500 “Walk in Revenue” selection criterion.

c. “Low-Workload” RAOI Post Offices Operational Data

Table 3 presents operational data provided by the Postal Service in USPS-LR-NP13 and USPS-LR-NP6 for the RAOI offices with “Low Workload”.

Table 3: 'Low-Workload' Operational Data	
Low-Workload' Operational Data Available	2611
Post Offices with BMEU Operations	40
Post Offices with Rural Delivery Operations	968
Post Office Boxes Rented	191,588
Total Retail Windows Open	2625
Average Retail Windows Open	1.005

The Operational data provided by the Postal Service highlights a few important details. Out of the 2611 "Low Workload" offices, 99% are staffed by only one employee. This means that Postal Service management does not have the flexibility to use fewer employees to better match employee workhours to earned workload. Over 37% of the "Low Workload' offices are nodes in the Postal Service's rural carrier network. Closing these offices will have an impact on the transportation network that the Postal Service uses to get mail to rural carriers, and the closure of these offices may have an impact on the rural carriers that use these offices. Nearly 200,000 postal customers currently rent Post Office Boxes at these locations. The importance of the location of the retail unit that houses Post Office Boxes to customers has been well documented in the A cases processed by the Commission. Further, it is unclear whether a "Village Post Office" (VPO) alternate access site will provide adequate alternative access for these customers. Finally, 40 of these sites are listed as co-located with a BMEU. These locations currently act as an entry point for bulk mail, and mailers may have chosen to locate their businesses near these locations to allow for easy induction of their mail into the postal network.

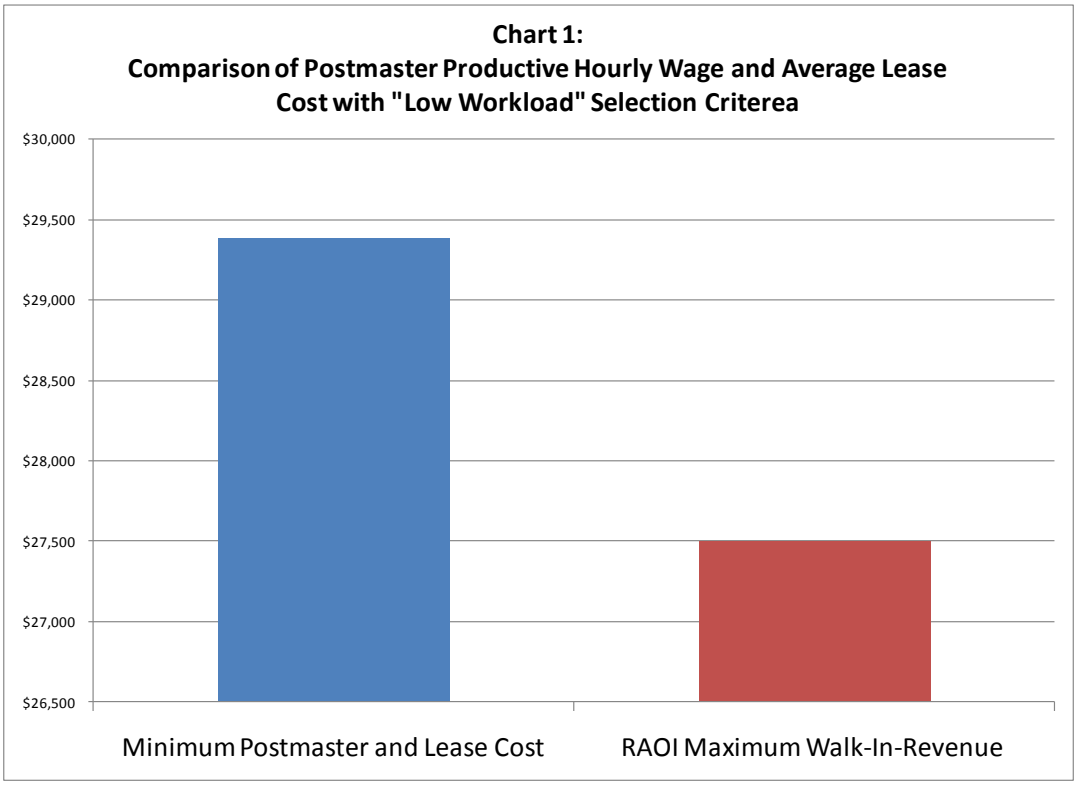
V. The "Low-Workload" Selection Criteria Identifies to Rural Offices that Operate at a Deficit

a. Low-Workload Means Low-Revenue

The "low workload" facet of the RAOI had 2 selection criteria: offices for which earned workload amounted to less than two hours per day and annual walk in revenue amounted to less than $27,500 ($10,000 for Alaskan offices). Of the individual criteria,

4823 offices had an earned workload of less than 2 hours per day,[8] and 5543 offices had annual walk in revenue of less than $27,500. While the Postal Service has not provided data on the 4823 offices with Small Office Variance (SOV) workload under 2 hours, analysis of the 5543 offices with under $27,500 in walk in revenue shows that 98% had operating costs greater than operating revenue.[9]

The lowest earned workload category for a post office is 2 hours of workload, as estimated by the SOV tool.[10] The cost of operating a retail counter for 2 hours per day and 6 days a week for 52 weeks at the average hourly wage of a Postmaster in FY2010 and the average lease amount for "Low Workload" offices[11] was $29,387, as shown in chart 1.



[8] Responses Of United States Postal Service Witness Boldt To Valpak Interrogatories VP/USPS-T1-4 and 12 (September 21, 2011) at 3.

[9] The Walk in Revenue information provided by the Postal Service did not include finance ID numbers, as such the accuracy of the analysis involving revenue and cost information could be improved by more detailed information.

[10] See USPS-T-1 at 3.

[11] The Average Postmaster hourly wage was $40.04 in FY2010. The average lease amount for an RAOI office was $4,399, as provided in Table 2 "Lease Amount: Total."

b. Low-Workload and Low-Revenue Means that Only 35 of 2825 “Low-Workload” Offices Operated at a Profit in FY2010

Given that the costs of a postmasters wage and the building lease are, barring exceptional circumstances, greater than the walk-in-revenue generated by the “Low-Workload” selection criteria, it is not surprising that 99% of the “Low-Workload” offices have operating expenses greater than operating revenue. A detailed evaluation of the data provided for these 35 offices shows that it is possible that some offices had revenue in excess of costs due to revenue from sources other than walk-in-revenue (such as presort First-Class mail, Standard mail, or Periodicals). Table 4 contains a detailed analysis of these 35 offices. Because actual labor payments were not provided by the Postal Service, expected wage was computed by multiplying retail hours by the average wage of a Postmaster.

Table 4: Detailed Analysis of "Low Workload: offices with Operating Revenue that Exceeded Operating Costs

	Offices with Under $37.5k in Operating Revenue	Offices with Over $37.5k in Operating Revenue
Number	21	14
Average Walk In Revenue	$ 12,180	$ 17,152
Average Operating Revenue	$ 14,030	$ 116,291
Average Retail Hours	4.9	8.2
Hourly Wage	$ 40.44	$ 40.44
Expected Wage Amount	$ 124,659	$ 206,220
Average Lease Amount	$ 2,730	$ 3,954
Expected Operating Cost	$ 127,388	$ 210,175
Actual Operating Cost	$ 7,022	$ 68,729
Expected Profit	$ (113,358)	$ (93,884)
Actual Profit	$ 7,008	$ 47,561

There are two clear types of profitable offices, those with operating revenue comparable to walk in revenue, and those with operating revenue more than $10,000 in excess of walk in revenue. For the offices with under $37,500 in operating revenue, the average operating cost, as provided by the Postal Service in USPS-LR-NP3, was $7,008, or $4,293 after lease costs. With an average of nearly 5 open retail hours per day, the Postal Service would have needed to pay the 21 employees who staffed these

21 offices $2.79 an hour on average to realize an average actual operating cost of $7,022 in FY 2010. The operating cost for these 21 offices may not be accurate. For the 14 offices with operating revenue in excess of $37,500, the average operating revenue was $116,291, or nearly $90,000 above the $27,500 walk in revenue selection criteria. These offices may act as entry point for commercial mail, which is not accurately accounted for by either the SOV workload criteria or the walk in revenue criteria.

c. Low-Workload Means that the Nearest Post Office is a Driving Distance of 10.3 Miles away

The RAOI post offices, on average, are a driving distance of 8.9 miles from the nearest post offices. As table 5 shows, over 35% of the "low workload" offices are more than 10 miles from the nearest post office.

Table 5: Driving Distance to Nearest Post Office

		RAOI Offices		"Low Workload" Offices	
Distance to Nearest Office		**Offices**	**Percent**	**Offices**	**Percent**
Greater than 20 miles		287	8.1%	267	9.7%
Between 10 and 20		736	20.7%	684	24.9%
Between 5 and 10		1208	34.0%	1075	39.1%
Between 2.5 and 5		716	20.1%	530	19.3%
Between 0 and 2.5		607	17.1%	196	7.1%
Total Offices with					
Information Provided		3554		2752	

The Station and Branches facets of the RAOI proposal, as expected given the distance selection criteria, are close to other postal retail facilities. However, customers that do not have access to vehicles may not consider a 2 mile walk to the Post Office "close." The customers of the 10% of "Low Workload" offices which are over 20 miles from the nearest post office are unlikely to consider the alternative postal access "close." Two of the Post Offices identified using the "low workload" selection criteria, Cliff Island and Matinicus Maine, are located in areas only accessible by boat. Postal

Customers will be unable to drive or walk to the nearest postal facility if these locations are closed.

VI. Analysis of the RAOI Proposal using Geographic Information

a. The Current "As the Crow Flies" Distance to the Nearest Post Office

Using census data found at http://www.esri.com/data/esri_data/census-overview.html and ArcGIS software, each census block can be associated with the nearest post office.[12] Calculating the straight line distance from the center of a census block to the nearest post office provides a rough estimate of the distance between the population and the local post office. Table 6 contains the straight line distance (or as the crow flies) for the United States population to a Post Office, both with and without the RAOI Post Offices as network nodes.[13]

Table 6: Straight-Line Distance From Census Block Center to Post Office
Total United States Population

	Before RAOI		After RAOI	
Distance (Miles)	**Population**	**Percent of Population**	**Population**	**Percent of Population**
More than 20 Miles	252,088	0.08%	314,398	0.10%
Between 15 and 20	415,466	0.13%	460,524	0.15%
Between 10 and 15	1,536,653	0.49%	1,787,840	0.57%
Between 5 and 10	17,098,606	5.49%	18,026,707	5.79%
Between 4 and 5	13,817,934	4.44%	14,211,258	4.57%
Between 3 and 4	26,002,103	8.36%	26,499,064	8.51%
Between 2 and 3	51,288,326	16.48%	52,779,998	16.96%
Between 1 and 2	99,242,719	31.89%	100,168,932	32.19%
Less than 1 Mile	101,558,963	32.63%	96,964,137	31.16%
Total Population	**311,212,858**		**311,212,858**	
Average Distance (Miles)		**2.00**		**2.06**
Increase in Average Distance				**3.08%**

[12] The Postal Service provided information regarding the geographic location of Post Offices in USPS-LR-15 on September 16, 2011. Due to time limitations, the straight line distance was calculated. ArcGIS software is capable of calculating driving distances, and this calculation would allow for a more detailed and accurate analysis of actual distance to a Post Office. When evaluating future Post Office closing procedures, driving distance proximity would be more informative, given fewer time constraints.

[13] Developed using geographic information contained in USPS-LR-NP15 and information provided by PR-T-1.

Currently, 93.8% of the 311 million people living in the United State reside within 5 miles of a Post Office. There are 2.5 million people, or .8% of the population, more than 10 miles from a post office. If the RAOI offices are closed, the average person will be 3% further away from a post office. As the next sections describe, focusing on the customers currently served by RAOI offices provides a better understanding of the impact of the proposal.

b. The Impact of the RAOI Proposal

The Postal Service has selected 3652 offices for discontinuance procedures as part of the RAOI proposal, roughly 10% of the Postal Services retail network. However, the RAOI offices are the nearest post office for only 5% of the United States population. There are two reasons for this. One is demographic; 77% of the RAOI offices are low-workload and low revenue, and these offices are predominantly located in rural or suburban areas. As such, the population dependent on these offices is lower than the national average. The other is operational; the other 23% of the RAOI offices are stations and branches, and the population near these offices can be linked to other nearby offices, such as the main post office. Table 7 contains details regarding the straight line distance to postal offices for people who are closest to an RAOI facility.

Table 7: Population Dependent on All RAOI Post Offices
Straight-Line Distance From Census Block Center to Post Office

	Before RAOI		After RAOI	
Distance (Miles)	**Population**	**Percent of Population**	**Population**	**Percent of Population**
More than 20 Miles	25,967	0.16%	88,277	0.54%
Between 15 and 20	32,835	0.20%	77,893	0.48%
Between 10 and 15	120,659	0.74%	371,846	2.29%
Between 5 and 10	901,814	5.56%	1,835,710	11.32%
Less than 5 Miles	15,137,849	93.33%	13,845,398	85.36%
Total Population	**16,219,124**		**16,219,124**	
Average Distance (Miles)		**1.74**		**2.92**
Increase in Average Distance				**67.98%**

Before any RAOI office is closed by the Postal Service, 93.8% of the 16.2 million people who live near RAOI offices are within 5 miles of a Post Office, nearly the same proximity as the national average. If every office on the RAOI list is closed, over 2

million people will be more than 5 miles from a post office (lowering the percentage of the population within 5 miles to 85). Nearly 250,000 more people will find themselves further than 10 miles from a post office if every office on the RAOI list is closed. The average distance to a post office for people who are currently closest to an RAOI facility will increase by 68% to nearly 3 miles.

The RAOI related closures will impact the distance of people who live nearest a "low workload" office the most. Table 8 contains details regarding the straight line distance to postal offices for people who are closest to a "low workload" RAOI facility.

Table 8: Population Dependent on Low Workload Post Offices
Straight-Line Distance From Census Block Center to Post Office

	Before RAOI		After RAOI	
Distance (Miles)	**Population**	**Percent of Population**	**Population**	**Percent of Population**
More than 20 Miles	25,904	0.79%	85,612	2.61%
Between 15 and 20	28,604	0.87%	70,466	2.15%
Between 10 and 15	100,858	3.07%	319,338	9.73%
Between 5 and 10	761,110	23.19%	1,498,868	45.68%
Less than 5 Miles	2,364,979	72.07%	1,307,171	39.84%
Total Population	**3,281,455**		**3,281,455**	
Average Distance (Miles)		**4.13**		**6.81**
Increase in Average Distance				**64.82%**

Currently, 72% of the 3.2 million people who live near RAOI offices are within 5 miles of a Post Office, well below the national average. If all RAOI "low workload" offices are closed, only 40% will be within 5 miles. Over 200,000 more people will be equal to or farther than 10 miles from a post office. The average distance to a post office for these 3.2 million customers will increase by more than 2 miles, from 4.13 miles to 6.81 miles.

c. International Perspective On Proximity to Postal Outlets

U.S.C Title 39 does not contain any specific language requiring the Postal Service to maintain postal retail access at a specific distance. Many foreign posts, however, operate under strict legal requirements to provide access within specified

geographic proximity. Table 9 contains details regarding the legal requirements of foreign posts to offer retail access.[14]

Table 9: Foreign Proximity Requirements	
Australia	
	85% of rural population within 4.7 miles
	95% of urban population within 1.6 Miles
Canada	
	98% of population within 9.3 miles
	88% of population within 3.1 miles
	78% of population within 1.6 miles
France	
	90% of population within 3.1 miles

Currently, the United States Postal Service does not provide retail access that meets all the criteria for any one of the listed countries. Table 10 provides cumulative percentages of population for a given distance. For example, 81.0% of Americans live within 3 miles of a Post Office, currently. If all RAOI offices are close, 80.3% will live within 3 miles of a Post Office.

Table 10: Cumulative Distance to a Post Office		
Percentage of Population	**Before RAOI**	**After RAOI**
Within 9 Miles	99.03%	98.88%
Within 5 Miles	93.80%	93.38%
Within 3 Miles	81.00%	80.30%
Within 1 Mile	32.63%	31.16%

d. Low Workload Offices Provide Service to Rural Americans

The census block information contains valuable data for persons or institutions in search of what defines rural and what locations qualify under that definition.[15] Due to data limitations, as discussed in the appendix, only 2059 “low workload” offices can be identified by Postal ID and linked to census blocks. Of these offices, 99.6% serve at

[14] http://www.ft.com/intl/cms/s/0/78e0d982-c284-11d9-866a-00000e2511c8.html#axzz1Z2EMd6xS , http://auspost.com.au/about-us/community-service-obligations.html, http://www.tc.gc.ca/eng/mediaroom/infosheets-canadapost-1770.htm, http://courierexpressandpostal.blogspot.com/2011/09/ensuring-access-to-retail-services.html

[15] Census blocks with fewer than 500 people per square mile are defined as rural. See http://www.justice.gov/ndic/pubs27/27612/appenda.htm.

least 1 rural census block. Table 11 contains details regarding the census blocks near "low workload" RAOI offices.

	Low Workload Offices
Low Workload Offices Identified	2059
Offices Serving Rural Census Blocks	2051
Offices Serving Rural Areas	99.6%
Total Census Blocks	3106
Total Rural Census Blocks	2971
Percent Rural	95.7%

VII. The Postal Service Should Consider Important Demographic, Operational, and Geographic Information Data When Developing Selection Criteria

a. 10,000 Post Offices Cost Less Than $825 Million to Operate in FY2010, or Less than 1.1% of USPS Total Operating Costs

The Postal Service has recently made statements regarding future plans for closing post offices; however, it is unclear that the Postal Service could save significant costs by reducing its retail presence. As detailed on page 3, USPS-LR-NP3 provides costing information that, at best, overstates the potential savings from closing post offices and fails to account for any possible reduction in revenue that would result from such closings. Using this data however, can provide specific insight into the accuracy of numerous economic studies. These studies state that the smallest 10,000 post offices cost 1% of the Postal Service's total operating expenditure.[16] Including costs unrelated to retail services, such as bulk mail acceptance and delivery operations, the least expensive 10,000 offices cost the Postal Service under $825 million to operate in FY 2010, roughly 1.1% of the Postal Services total operating costs.

[16] http://dmjuice.desmoinesregister.com/article/20110906/ALTOONA01/309060012 , http://www.postalreporternews.net/2011/05/17/postmasters-president-closing-small-offices-is-a-measure-to-make-senior-usps-managers-look-good/ , http://www.nypostmasters.org/Legislative_Issues.html , http://www.postmasters.org/publications/pmadvocate/Postal%20Facts,%20Not%20Myths.pdf , http://www.federaltimes.com/article/20101128/ADOP06/11280306/1040/ADOP06 , "The cost of Universal Service in the U.S. and its impact on competition," Cohen, Robinson, Waller, and Xenakis, 2002, at 6.

b. The RAOI Proposal Does Not Lead to a Pareto Optimal Result. Can the Postal Service Spend Less on its Retail Network and Achieve a Pareto Optimal Result?

If the Postal Service closes the RAOI offices, upwards of 16 million Americans will have less postal access, which is not a pareto optimal result. The Postal Service is facing a significant financial crisis, and certainly needs to reduce costs where possible. Is there a method that could lead to improved retail services and reduced costs? Within the last two years, the Postal Service OIG has put forth three ideas involving significant financial improvements. Report Number MS-AR-10-004, Efficiency of Retail Customer Service Operations, found that the Postal Service could save over $600 million by matching retail workhours with retail workload at CAG A-J offices where more than one employee is working and management has flexibility, a situation very different than the "low workload" proposal in this docket.[17] Report RARC-WP-11-009 details how the Postal Service could further pursue its Delivery Unit Optimization (DUO) strategy.[18] The report "Analyzing the Postal Service's Retail Network Using an Objective Modeling Approach," Report-RARC-WP-10-004, details how the Postal Service could both minimize cost and, perhaps most importantly, maximize revenue.[19]

A 2009 Gallup poll found that 88% of Americans opposed closing their local office as a method of USPS cost cutting.[20] Recent (less scientific) polls in locations currently served by ROAI offices have re-iterated this finding.[21] The Postal Service has not yet provided its estimate of savings from implementing the RAOI process in this docket, but it has publicly stated it might be $200 million.[22] If RAOI is instituted and all 3652 RAOI offices are closed, 16.2 million citizens would face a longer drive to the post office, which continues to hold a monopoly on letter mail. As a hypothetical, if 16.2 million people drove an additional 1.18 miles (2.36 miles round trip) once a week to drop

[17] http://www.uspsoig.gov/foia_files/MS-AR-10-004.pdf

[18] http://www.uspsoig.gov/foia_files/RARC-WP-11-009.pdf
[19] http://www.uspsoig.gov/foia_files/RARC-WP-10-004.pdf
[20] http://www.gallup.com/poll/121268/americans-fewer-mail-days-fix-postal-budget.aspx
[21] http://abc.daytonsnewssource.com/shared/newsroom/poll/poll_results_5885.shtml , http://www.dailyfreeman.com/articles/2011/07/28/news/doc4e314d8274903280234941.txt
[22] http://money.cnn.com/2011/07/26/news/economy/post_office_closings/index.htm

a letter off or pick up mail from their P.O. Box, the cost to society would be $232 million.[23] This would not be a desirable financial result for society at large, much less an optimal result for postal customers.

Appendix

Appendix table 1 contains information regarding the number of Post Offices that can be linked between the various sources of information provided by the Postal Service in Docket no. N2011-1. These library references utilize no less than 3 forms of postal identifier, and in many instances the same postal identifier is used for multiple offices.

Appendix: Data Consistency Issues	
	# of Post Offices
RAOI	3,652
RAOI Offices in NP5	3,656
USPS-LR-NP1	30,531
Unique NP5 RAOI Offices in NP1	2,902
USPS-LR-NP3	30,461
Unique NP5 RAOI Offices in NP3	2,896
USPS-LR-NP6 and NP13	41,614
Unique NP5 RAOI Offices in NP6 and NP13	2,888
RAOI Offices in USPS-LR-NP7	3,554
Unique NP5 RAOI Offices in NP7	2,833

There are no two library references that contain comparable information, say post office boxes rented and operating cost, for unique RAOI offices. The number of postal retail facilities is not consistent across the library references.

[23] 16.2 million x 2.36 miles x $3.50 per gallon /30 miles per gallon x 52 weeks.